

The Monthly Income Fund

Dear [Investor],

Please find attached your latest Statement for The Monthly Income Fund. We have also attached a key statistics and performance sheet for the Fund.

The Fund's return for the month of June was -0.19%.

The listed property sector was again subject to significant volatility during the month of June. From our lens, the movements being more a function of negative global market sentiment, which itself was heavily influenced by movements in 10 Year US Treasuries, than South African property company fundamentals. Near term, after being held at ultra-low levels, interest rate markets appear to have weakened (yields have risen) too quickly and too steeply and may be showing tentative signs of normalisation. Once 10 Year US Treasuries are back in the 2.20% to 2.40% range it would indicate to us that global interest rate markets have begun to settle.

It is important to remember that listed property companies tend to grow their cash flows with the passage of time; this passage of time allows these property companies' share prices to "absorb", to some degree, a gradual move higher in interest rates. Sharp upward moves in yields are generally problematic to property valuations, as the Fund experienced in May.

Over the short-term we expect the property sector and the Fund's unit price to remain sensitive to volatile moves in the bond market; however over the longer-term we believe the total return for the Fund will be driven by the underlying property company's reliable cash flow and consistent earnings growth.

We are pleased with how the Fund is positioned. The Fund's loan-to-value ratio is 35%, which is in line with our target gearing level for the Fund. Also, the Fund has a strong investment bias towards A Class units. This has helped to hedge the Fund from significant downward movements in the property sector.

The A Class units we have invested in are well over collateralised by the company's B Class units, whilst the A Class units benefit from preferential rights to a growing distribution. As a result of this over-collateralisation, a high degree of cash flow certainty is provided to owners of the A Class units and we believe the financial risk is low. This allows us strong certainty as to the smoothed monthly distribution the Fund is able to pay to investors. The fundamentals of these companies remain sound.

The Fund is well positioned to meet its core objective of a consistent growing income while maintaining above inflation capital growth.

Kind regards,
Alternative Real Estate Team

Fund Information

Manager	Alternative Real Estate
Strategy	Long Term Value & Income
Asset Class	Real Estate & Fixed Income
Inception	August 2012
Current Period	June 2013
Size	R 12,000,000

Fund Performance

Return from Inception	11.22%
Annualised Return	12.30%
% Up Months	63.64%
No Months	11
Best Month	9.08%
Worst Month	-8.35%
Current Month	-0.19%
Year-to-Date Return (2013)	-6.49%
2012 Return (5 months)	18.95%

Fund Metrics

Unit Price	R 10.36
Current Distribution	6.00cpu
Loan-to-value	34.25%
Forecast Yield	6.95%
Historic Payout Ratio	103%
R 100 000 investment	Pays R 579.34 per month

Fund Objective

Our objective for the fund is to deliver a consistent growing income while maintaining above inflation capital growth. The target total return for the fund is 15% per annum. This is achieved by using a long term value investment approach whilst holding as little fundamental risk as possible.

Graphs

Key Investor Information

Minimum Investment	R 100,000.00
Management Fee	0.75%
Performance Fee	10%
Entry Fee	None
Exit Fee	None
Investor Liquidity	Calendar Month End
Notice Period	Subject to partnership agreement
Lockup	Subject to partnership agreement
Benchmark	STEFI Call Deposit Index

Disclosure

Please note: We continue to emphasise that the fund is long term in nature. Market movements in the underlying portfolio will impact the volatility of the value of the fund and it is important to recognise the long term nature of the investment before accounting for short term profits or losses.

If you have chosen to pay-out your distributions the distribution should reflect in your bank account (as detailed on the statement) in the next 3-5 days. If you have chosen to Re-Invest your distributions, new units have been allocated and should reflect on your statement.

The contents of this document are confidential and subject to our [Disclosure & Disclaimers](#)

